

Modified Proposal for Formation of Sonoma Clean Power

Joint Powers Authority

Since March 2011, the Sonoma County Water Agency has been investigating the feasibility of implementing a “community choice aggregation” program called Sonoma Clean Power. Working with a Steering Committee comprised of representatives of cities, interested public agencies, and interested private individuals and non-profits, the Water Agency has prepared a Feasibility Study and a draft Implementation Plan. The Water Agency has also given numerous presentations on Sonoma Clean Power to city councils, business groups, and others.

Missing Key Information: While the Feasibility Study and draft Implementation Plan provide a great deal of information about the proposed Sonoma Clean Power operation, the most critical piece of information needed for decision making – the actual rates that would be charged by Sonoma Clean Power – could only be estimated. This is because the price Sonoma Clean Power would pay for electricity from power wholesalers is the largest and most important factor in rates. It is impossible to obtain this information until Sonoma Clean Power is formed as an entity through a Joint Powers Agreement and can request binding price quotations from power suppliers.

The Conundrum: Unfortunately, this creates a “chicken or egg” situation. On the one hand, until the formal entity of Sonoma Clean Power is created through a joint powers agreement, a Request for Proposals cannot be issued to obtain the key price information to determine likely power rates. On the other hand, cities need to know what the power rates will likely be before they can determine if they want to participate in Sonoma Clean Power. This created a situation where cities would be asked to decide if they wanted to join Sonoma Clean Power before they knew what rates their residents could expect.

The Solution: To break through this conundrum, a proposal has been put forward which will both allow information about power rates to be determined as well as allow the program to move forward in an efficient and expeditious manner if rates are feasible. The Sonoma Clean Power Authority entity would be formed through an initial joint powers agreement between the Sonoma County Water Agency and the County of Sonoma. Having an actual entity formed will allow for a Request for Proposals to power providers to be issued and pricing for power to be received. This will permit an analysis to provide more definite and exact information about Sonoma Clean Power rates, and assist cities in determining whether they wish to participate in the program.

Improvement over the existing plan: The existing plan to form Sonoma Clean Power is very lengthy and complex. It requires full negotiation of a joint powers agreement among eight cities, scheduling and seating of a new board, review by that board of the Request for Proposals for power and consideration by that board of the RFP results. This process would likely take a year or more. In contrast, creating the authority with just the Water Agency and County of Sonoma

will dramatically decrease the time needed to form an entity, which will allow the critical pricing and rate information to be obtained and considered by the cities much more quickly.

Addresses liabilities concern: Aside from allowing for increased efficiency and the ability to obtain cost information, this new path forward will also address another concern many cities have expressed. The concern is that the debts and liabilities of Sonoma Clean Power could be attributed to the cities and put their general funds at risk. While the joint powers agreement insulates all participants in Sonoma Clean Power from general fund debt and liability, the possibility of risk is still a concern for many cities. Under the new proposal, cities do not have to join as formal members of the joint powers agreement and can simply participate in the program. Cities choosing to participate will have representation on the Sonoma Clean Power governing board as if they were members of the JPA and thus a voice on Sonoma Clean Power policy matters.

Capitalizing on market conditions: In addition to providing critical rate information, the new proposed path forward could also save money. Almost all of the power providers who participated in a recent “Request for Information” process stressed the importance of taking advantage of the historically low natural gas and power rates by locking in agreements sooner rather than later. By moving forward expeditiously, this pathway could result in lower rates for Sonoma Clean Power customers, should the decision be made to move forward with the program.

Not a final decision to move forward: By forming the new authority in order to obtain necessary rate information, the Water Agency and County Boards would not be making a final decision to move forward with implementing the SCP program. That decision will not be made until the additional information about rates is obtained.

December 4 decision point: This modified path forward to forming Sonoma Clean Power’s joint power authority is expected to be presented to the Water Agency Board of Directors and the Sonoma County Board of Supervisors on December 4, 2012. A draft of the revised joint powers agreement will be circulated shortly.